

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**HB 452 – SB 769**

March 4, 2015

**SUMMARY OF ORIGINAL BILL:** Authorizes the Tennessee Alcoholic Beverage Commission (ABC) to issue temporary licenses, not to exceed 30 days, for any new applicant for a license for consumption of alcoholic beverages on premises. Requires a licensee to notify ABC in its annual renewal application if the ownership of an establishment changes after a license is issued, and prohibits ABC from requiring a notice prior to the annual renewal application if less than 50 percent of the ownership interest in the establishment is transferred to a new owner. Increases, from five to ten percent, the threshold ownership interest of a person convicted of certain offenses that prevents an establishment from receiving such license or a beer permit.

**FISCAL IMPACT OF ORIGINAL BILL:**

NOT SIGNIFICANT

**SUMMARY OF AMENDMENT (003794):** Deletes all language after the enacting clause. Authorizes the Tennessee Alcoholic Beverage Commission (ABC) to, upon collection of a \$50 licensing fee, issue temporary licenses, not to exceed 30 days, for any new applicant for a license for consumption of alcoholic beverages on premises. Authorizes Bluegrass Country Club in Sumner County to sell alcoholic beverages for consumption on-premises, including the golf course, tennis courts, all areas of the clubhouse, the area immediately surrounding the swimming pool, and all other recreational facilities.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Increase State Revenue –**

**Exceeds \$4,600/FY15-16/ABC Fund**

**Exceeds \$4,300/FY16-17 and Subsequent Years/ABC Fund**

**Exceeds \$1,600/FY15-16 and Subsequent Years/General Fund**

**Increase Local Revenue – Exceeds \$1,100/FY15-16 and Subsequent Years/Permissive**

Assumptions for the bill as amended:

- The ABC reports that currently there are approximately 4,000 liquor-by-the-drink establishments licensed by the Commission.

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- It is estimated that at least 100 establishments will be issued a temporary license each year, for a recurring increase in revenue to the ABC Fund exceeding \$5,000 (100 x \$50).
- The ABC will begin issuing temporary licenses in FY15-16.
- Bluegrass Country Club currently has a restaurant license and pays \$1,200 per year in licensing renewal fees. Under the provisions of this legislation, the Club will be licensed as a private club, with a one-time application fee of \$300 and a recurring license renewal fee of \$500.
- The resulting one-time increase in revenue to the ABC Fund in FY15-16 is estimated to exceed \$4,600 ( $\$5,000 - \$1,200 + \$300 + \$500$ ); the recurring increase in revenue to the ABC fund, beginning in FY16-17, is estimated to exceed \$4,300 ( $\$5,000 - \$1,200 + \$500$ ).
- No additional personnel or resources will be required by the ABC.
- Expanding the premises where alcoholic beverages can be consumed is estimated to result in a recurring increase in gross sales of alcoholic beverages.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on the additional sales of alcoholic beverages. It is assumed that the facility is currently paying all applicable local privilege taxes, which will remain unchanged.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Sumner County is 2.25 percent; the effective rate of apportionment to local government pursuant to the state-share allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- Absent any specific detail data on the current sales of alcoholic beverages at this venue, we can only substitute the average taxable base (\$110,000 per year) to estimate the effect of a marginal increase in sales triggered by designation as a private club and by expansion of the premises where alcoholic beverages can be consumed. Allowing alcohol sales and consumption on the additional areas of the property is estimated to result in a recurring increase in taxable sales of at least ten percent, or \$11,000 ( $\$110,000 \times 10.0\%$ ).
- The recurring increase in state revenue to the General Fund is estimated to exceed \$1,567 [ $(\$11,000 \times 7.0\%) - (\$11,000 \times 7.0\% \times 3.617\%) + (\$11,000 \times 15.0\% \times 50.0\%)$ ].
- The recurring increase in local revenue is estimated to exceed \$1,101 [ $(\$11,000 \times 2.25\%) + (\$11,000 \times 7.0\% \times 3.617\%) + (\$11,000 \times 15.0\% \times 50.0\%)$ ].
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

## CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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